

Message Text

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PAGE 01 STATE 002911
ORIGIN EB-08

INFO OCT-01 ARA-14 IO-14 ISO-00 TRSE-00 L-03 CTME-00
COME-00 STR-05 SP-02 AID-05 SS-15 PRS-01 USIA-15
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DRAFTED BY EB/OT/STA:T O'HERRON:CMS
APPROVED BY EB/OT/STA:J S SPIRO
ARA/ECA:S MILES
TREASURY:R SELF

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FM SECSTATE WASHDC
TO AMEMBASSY MONTEVIDEO
INFO USMISSION GENEVA

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E.O. 11652:N/A

TAGS: ETRD, UY

SUBJECT: TREASURY WAIVES CVD'S ON LEATHER WEARING APPAREL
FROM URUGUAY

1. WITHIN A FEW DAYS THE TREASURY DEPARTMENT WILL PUBLISH
IN THE FEDERAL REGISTER A NOTICE OF FINAL ACTION UNDER THE
COUNTERVAILING DUTY LAW CONCERNING IMPORTS OF FOOTWEAR,
HANDBAGS AND LEATHER WEARING APPAREL FROM URUGUAY.
ALTHOUGH TREASURY HAS FOUND THAT THE URUGUAYAN GOVERNMENT
SUBSIDIZES THE EXPORT OF THESE PRODUCTS, COUNTERVAILING
DUTIES WILL BE WAIVED.

2. UNDER THE COUNTERVAILING DUTY LAW THE TREASURY SECRE-
TARY IS REQUIRED TO ASSESS AN ADDITIONAL CUSTOMS DUTY THAT
IS EQUAL TO THE AMOUNT OF A "BOUNTY" OR "GRANT" (SUBSIDY)
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PAID ON IMPORTED MERCHANDISE. THE LAW PERMITS THE
SECRETARY TO WAIVE TEMPORARILY COUNTERVAILING DUTIES WHEN
THE FOLLOWING CRITERIA ARE MET:

A) ADEQUATE STEPS HAVE BEEN TAKEN TO REDUCE SUBSTANTIALLY
OR ELIMINATE THE ADVERSE EFFECTS OF THE SUBSIDIES;

B) THAT NEGOTIATIONS ARE PROCEEDING INTERNATIONALLY TO ELIMINATE BARRIERS TO TRADE;

C) THAT TO COUNTERVAIL WOULD SERIOUSLY JEOPARDIZE THOSE NEGOTIATIONS.

3. IN THIS CASE, "BOUNTIES" WERE FOUND IN THE FORM OF DIRECT EXPORT SUBSIDIES, PREFERENTIAL INCOME TAX TREATMENT ON EXPORT EARNINGS, AND PREFERENTIAL FINANCING. A WAIVER IS BEING GRANTED BASED ON ACTIONS BY THE URUGUAYAN GOVERNMENT TO ELIMINATE COMPLETELY THE EFFECTIVE EXPORT SUBSIDY ON ALL LEATHER PRODUCTS EXPORTS WITHIN THE NEXT YEAR, WITH A 50-PERCENT REDUCTION EFFECTIVE JANUARY 1, 1978. (GOVERNMENT OF URUGUAY IS ALSO COMMITTED TO REMOVE EXPORT SUBSIDIES FOR ALL PRODUCTS BY JANUARY 1, 1983.)

4. DURING 1976, HANDBAG IMPORTS WERE 1.5 MILLION DOLLARS, LEATHER APPAREL IMPORTS AMOUNTED TO 21 MILLION DOLLARS, AND FOOTWEAR IMPORTS WERE APPROXIMATELY 12 MILLION DOLLARS.

5. THE WAIVER PROVISION EXPIRES BY LAW ON JANUARY 4, 1979.

6. URUGUAYAN EMBASSY WASHINGTON HAS BEEN INFORMED. CHRISTOPHER

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NNN

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